



**Investment Office**

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February 17, 2009

**AGENDA ITEM 9a**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Risk Managed Absolute Return Strategies (RMARS)  
Panel Discussion
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

**Executive Summary**

At the October 2008 Investment Committee meeting, staff were directed to organize a panel to engage the Investment Committee in a dialogue regarding the Risk Managed Absolute Return Strategies (RMARS) Program and the hedge fund marketplace. Staff has since comprised a panel that will be presenting at the February Investment Committee meeting, which consists of Jane Buchan, co-founder of Pacific Alternative Asset Management Company, and Dan Och, CEO and founder of Och-Ziff Capital Management. The biographies of each are included as Attachments 1 and 2.

Both individuals and their respective firms play key roles in the RMARS Program. PAAMCO serves as an advisor to staff in managing its direct investments in hedge funds, and manages two fund-of-hedge fund mandates (an emerging hedge funds portfolio and an Asian hedge funds portfolio). Och-Ziff is the largest direct hedge fund investment exposure in the RMARS portfolio. Och-Ziff manages a multi-strategy hedge fund that invests across a variety of asset classes on a global basis.

In addition to Ms. Buchan and Mr. Och, the CalPERS staff and its general consultants are available to participate in the discussion at the discretion of the Investment Committee.

In an effort to provide a backdrop to the hedge fund industry, staff is providing The EUREKAHEDGE Report – January 2009. Attachment 3 contains the report that provides market commentary for 2008, an outlook for 2009, as well as some meaningful statistics (performance, asset growth, number of hedge funds, distribution of funds by size, etc). Staff, Ms. Buchan, and Mr. Och will gladly address any questions on the topics covered in The EUREKAHEDGE Report.

Furthermore, in order to provide direction for the panel discussion staff took the liberty of highlighting a number of topics for discussion based on questions directed to staff by the Board, senior CalPERS staff, and recent events in the hedge fund marketplace. The topics are listed below:

- Hedge funds and regulation
- How the change in the investment banking industry will effect the hedge funds use of leverage
- Hedge funds being rated by the rating agencies
- The role of hedge funds in a pension fund portfolio
- Transparency into hedge funds

#### **V. STRATEGIC PLAN:**

This agenda item is consistent with the Strategic Plan: Goal IX, achieve long-term, sustainable, risk adjusted returns.

#### **VI. RESULTS/COSTS:**

The purpose of this item is to keep the Investment Committee informed regarding the Risk Managed Absolute Return Strategies Program and the hedge fund marketplace. No costs were incurred with this item.

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